
The Art Markets in Hong Kong and France: Dynamic and Taxation Influences.

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Master in Art Markets

Supervisor:

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School of Arts and Humanities of the University of Lisbon

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History Department

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Abstract

This study compares the art markets in France and Hong Kong, focusing on their market structures, economic and cultural influences, and tax-related factors. This research has distinguished significant differences in organizational frameworks, historical contexts, and market dynamics for both regions under review. These findings suggest that while the French art market is deeply steeped in historical tradition, with characteristics of an expansive tax system that delimits fluidity in the market while it protects cultural heritage, Hong Kong's art market is driven by a favorable tax environment, sustaining international trade and fast growth. However, due to complicated regulations and external pressures, Hong Kong also faces difficulties. Both markets are being influenced by global art trends and the rise of digital technology. At the same time, they face unique challenges: France is dealing with changing policies, while Hong Kong is experiencing shifts in its cultural landscape that could impact its future. This study concludes by proposing policy reforms in France to make tax regulations easier and steps in Hong Kong to ensure the long-term stability of the market during global changes.

Keywords: *Art market, France, Hong Kong, cultural heritage, tax policies, market structures, global art*

Resumo

Este estudo compara os mercados de arte em França e em Hong Kong, centrando-se nas suas estruturas de mercado, influências económicas e culturais e factores relacionados com impostos. Esta investigação distinguiu diferenças significativas nos enquadramentos organizacionais, contextos históricos e dinâmicas de mercado para ambas as regiões em análise. Estas conclusões sugerem que, embora o mercado de arte francês esteja profundamente impregnado de tradição histórica, com características de um sistema fiscal expansivo que delimita a fluidez do mercado ao mesmo tempo que protege o património cultural, o mercado de arte de Hong Kong é impulsionado por um ambiente fiscal favorável, sustentando o comércio internacional e um crescimento rápido. No entanto, devido a regulamentações complexas e pressões externas, Hong Kong também enfrenta dificuldades. Ambos os mercados estão a ser influenciados pelas tendências artísticas globais e pela ascensão da tecnologia digital. Ao mesmo tempo, cada um deles enfrenta desafios únicos: França está a lidar com mudanças políticas, enquanto Hong Kong está a passar por mudanças na sua paisagem cultural que poderão impactar o seu futuro. Na conclusão este estudo propõe reformas políticas em França para facilitar a regulamentação fiscal e medidas em Hong Kong para garantir a estabilidade do mercado a longo prazo durante as alterações globais.

Palavras-chave: *Mercado da arte, França, Hong Kong, património cultural, políticas fiscais, estruturas de mercado, arte global*

Table of Content

1	CHAPTER 1: INTRODUCTION	1
1.1	General Background	1
1.2	Research Objectives.....	4
1.3	Research Questions.....	4
1.4	Research Methodology	4
1.5	Significance of the Study	5
1.6	Structure of the Dissertation	6
2	CHAPTER 2: LITERATURE REVIEW	8
2.1	The Global Art Market.....	8
2.1.1	Art, politics, and globalization.....	12
2.1.2	Impact of cultural institutions on market value.....	14
2.1.3	State Regulation and Government Policies in the Art Market	16
2.1.4	Market Trends and Challenges after the Pandemic Era	18
2.1.5	The Role of Art Fairs and Biennials in Shaping the Global Art Market.....	19
2.2	The French Art Market	22
2.3	The Art Market in Hong Kong.....	27
3	CHAPTER 3: FINDINGS.....	33
3.1	Identifying Key Differences in Market Structures.....	33
3.1.1	Organizational Frameworks in France and Hong Kong.....	33
3.1.2	Historical Development and Current Structures	36
3.2	Analyzing Economic, Cultural, and Tax-Related Factors.....	38
3.2.1	Economic Conditions of France and Hong Kong	38
3.2.2	Tax Policies and Their Impact on Art Markets in France and Hong Kong.....	41
3.3	New Trends and Issues	43
3.3.1	Growth in the Market, Consumer Taste, and Changing Dynamics	43
3.3.2	Problems Relating to Regulation and Subsidy of the Art Market.....	44
4	CHAPTER 4: CONCLUSION AND RECOMMENDATIONS	46
4.1	Conclusion	46
4.2	Recommendations.....	47
5	REFERENCES	49
6	APPENDICES	56
	APPENDIX I	56
	APPENDIX II	58
	APPENDIX III.....	60
	APPENDIX IV.....	62

CHAPTER 1: INTRODUCTION

1.1 General Background

Art can be understood as a unique form of human expression in that it captures human feelings, ideas, and cultural values through visual media, musical and literal forms. The creation of something that is pleasing to both the eye and the ear helps one to understand the center of deeper insinuations whose relevance is beyond the scope of art itself for any individual or whole society. From simple representations of life, art has taken its complex and abstract forms through evolution, thereby demonstrating alterations in human thought, technology, and culture. It is as Zachary Isrow says: art is a mirror of the experience of human beings, ranging from the smallest stroke of individual brilliance to sweeping shifts in culture. Isrow (2017), goes on to say how art is always changing its definition with changing phenomena within society, and hence it is not something that is unchangeable or easily formulated. From an initial expression of aesthetic and spiritual values in human culture and creativity, it is the appreciation of value attached to art in a global economy that developed. Precisely in this identification of art with cultural products, and the investment in capital values, its growth potential has been fueled in the past decades. This, in accordance with Sokołowska (2012), implies that art may be a very good alternative investment opportunity and potential gain on a market indirectly connected with classic instruments of finance. The art market rests on transactions through which exists the worldwide buying, selling, and trading chain of the works of art across different types of market venues such as auction houses, galleries, art fairs, and private sales. The art market relies on a delicate balance of demand and supply. This balance is shaped by economic conditions, cultural trends, and investor confidence. It reflects the market's connection to broader economic systems. Historically, the art markets have been concentrated within Europe, with Paris and London as

the world centers since the 19th century. However, the changes in economic power and cultural influence in the 20th century caused new centers in the art market to emerge, first in the USA and later in East Asia. This development has changed art from a cultural product to a financial asset where artworks manifest human creativity and investment with a large potential for returns. The contemporary art market can be said to be a very complex system that is determined by the mix of various cultural, economic, and legal dynamics. Unlike in the past, when art was valued mainly for its cultural worth or just as an aesthetic entity, the modern market has aggressively put art as a key financial asset. This trend suggests movements toward art not as a decorative or historical piece but as something that is additionally strategically acquired as a safe investment, especially in times of economic uncertainty. The research by Sokołowska (2012) supports the fact that art has always continued to be an effective and desirable investment option for over four decades, with increasing emphasis on the way it works as an alternative asset in the event of a financial market crisis. Such conditions have encouraged investors and scholars to examine if art can serve as a hedge against financial risks, thus drawing attention to its role beyond the regular run of investments. Interest in the economics of culture has also risen, thereby enriching the discussion of art investments. Among important contributors to the field are Hausner, Karwińska, and Purchla, (2013) who, together with Towse (2011), examined the junction of culture with economics. Their work has been to set a theoretical base for understanding how art works within market structures, especially the calculation of returns and development of market indices. Indeed, such indices present vital tools that provide insight into the financial performance of artworks, thus guiding investors in calculating the risks and rewards of investment in the arts. It is through such studies that we have developed an increasingly broad view of the art market, underlining what actually makes art so unique as an investment opportunity.

Having grown the most over the past few decades, Hong Kong has emerged to become one of the strong art market platforms. Due to its geostrategic location, business-friendly environment, and unique tax benefits, Hong Kong moved to the forefront of the global art scene. Its rise to become a major art market hub began in the 1990s, with the first key international events, including, of course, Art Basel Hong Kong. Another important factor is the low-tax environment: no capital gains tax is incurred, and the import duties on art are low, making Hong Kong a haven for collectors, dealers, and investors (Velthuis, 2013). What's more, tax-free storage of high-value assets, like art, in freeports makes Hong Kong even more attractive as an international art trading hub (McAndrew, 2016). Contrarily, the art market of France is based on a more regulated and culturally influenced framework. France holds numerous types of taxation over artworks, such as value-added tax and wealth tax, that involve domestic and foreign buyers. Moreover, cultural policies and regulations against the exportation of cultural heritage items make the case of France even more complicated in nature. Hence, while these measures are focused on national heritage and support of the arts, they set the trends in behaviors of market players and market conditions in France in the context of a global position of the country's art market at large (Moulin, 1992; Heinich, 2014).

Taxes are financial charges levied by any government on any person or entity. Its role in an art market is its power to alter prices, investment decisions, and access to some markets. The role of taxes is both negative and positive: it disallows the exodus of cultural property and allows for the public funding of arts. The high taxation turns off HNWIs and foreign buyers looking to invest in the French art market. Contrasted with Hong Kong, where there is low taxation, the market contour gained an added international and fluid character, with bidders and investors courted from all parts of the world. Comfortable tax conditions make it a little easier for buyers and sellers to operate in what has constituted Hong Kong's position

as one of the major international art hubs. These two contrasting tax environments draw a strong case for comparison with respect to how policy frameworks affect the performance and growth of art markets in different regions. As France and Hong Kong are two very different markets, so to speak, this study has the purpose of comparing their tax systems with respect to their impact on the respective art markets. This study attempts to probe deep into the regulatory framework, market structure, and participant behaviors in both places to further elucidate the general implications of taxation toward the art economy.

1.2 Research Objectives

The study aims to explore and compare the art markets of France and Hong Kong, with a focus on understanding how different taxation systems and regulations impact market performance. The specific objectives are as follows:

1. To identify the key differences in market structures between France and Hong Kong
2. To analyze the economic, cultural, and tax-related factors impacting market performance in France and Hong Kong
3. To explore emerging trends and challenges in both art markets

1.3 Research Questions

The primary research questions guiding this study are:

1. What are the major structural differences between the art markets in France and Hong Kong?
2. How do economic conditions, cultural factors, and tax policies impact the art markets in France and Hong Kong?
3. What are the current trends and key challenges, including those linked to taxation, within the art markets of France and Hong Kong?

1.4 Research Methodology

Research Design: To gain a comprehensive understanding of the art market dynamics and

stakeholder perspectives in Hong Kong, this study adopted an interdisciplinary approach that combined qualitative interviews and literature analysis. This multi-methodological approach allowed for a deeper exploration of the complex interplay between art galleries, artists, and collectors in shaping the contemporary art landscape.

Data Collection: The primary data collection method for this study was an extensive literature review, which explored academic and industry publications related to the French art market, emerging artist challenges, and the evolving role of various stakeholders. This review provided the main foundation for the analysis and contextualized the findings. Additionally, a small sample of in-depth qualitative interviews was conducted with key stakeholders, including managers of prominent art galleries (Galerie Mennour, Bel), a Paris-based freelance journalist and art expert (Devorah Lauter), and emerging French artists (Léa de Cacqueray). These interviews offered supplementary insights into the study.

Sampling Strategy: Participants were selected based on their expertise and involvement in the French and Hong Kong art markets. The sample included managers from prominent art galleries and emerging French artists with connections to these markets. However, due to time constraints and logistical challenges, the sample size was smaller than initially intended, limiting the range of perspectives within the target population.

Ethical Considerations: Informed consent was obtained from all participants prior to conducting interviews. Ethical guidelines for research involving human subjects were strictly adhered to throughout the study.

1.5 Significance of the Study

This research offers a valuable contribution to understanding contemporary art markets, particularly focusing on the impact of taxation systems and regulations in France and Hong Kong. By comparing these two regions, the study provides insights into how

different regulatory frameworks can shape market dynamics, influence art transactions, and affect the overall health of the art industry. The study's findings have implications for a variety of stakeholders, including artists, galleries, collectors, and policymakers. For artists, the research can help to identify markets with favorable conditions for their work and understand the potential impact of tax policies on their careers. For galleries and collectors, the study offers insights into market trends, investment opportunities, and the regulatory landscape. For policymakers, the research provides valuable data on the effectiveness of different tax regimes and regulatory frameworks in supporting the art industry.

1.6 Structure of the Dissertation

The first chapter introduces the topic and explains its importance to the world at large. It outlines the problem statement, objectives, and the questions the study aims to answer. This chapter also explains the method used in the research and the reasons for selecting a qualitative approach. It establishes the significance of the study and provides the reader with a "road map" for the remainder of the dissertation.

The second chapter covers the existing research into how art markets work. It also dwells on the market structures and tax policies in France and Hong Kong, analyzing their impacts on the art markets. This chapter gives balanced coverage to both regions by being sure to analyze each one thoroughly. It concludes by developing a framework which will be used in comparing the two markets in the next chapter.

The third chapter represents the 'heart' of the dissertation: France versus Hong Kong in a detailed comparison of the art markets. It explores the way in which tax systems, cultural factors, and regulations could interact to affect these markets. Indeed, it is based on data gathered from interviews and other sources. This chapter recasts the main differences and similarities of the two markets, relating these findings to the theoretical concepts developed in the second chapter.

In the final chapter, the research summarizes the major findings and discusses the importance of the results with a view to their practical implications for artists, investors, and policymakers alike. It also suggests ways to improve market performance and the regulatory policies surrounding it. The chapter further points out some lines for future research and, through this, suggests topics that may further explore the changes in global art market trends.

CHAPTER 2: LITERATURE REVIEW

2.1 The Global Art Market

The global art market is among the most fascinating and baroque sets of networks to be birthed by the very act of developing, dispersing, and re-selling art (Howard, 2024). Two big sections underlie the activity of the art market: the primary and secondary markets. They have a type of symbiotic relationship that is abnormal to all that, a type of partnership which enters the space of interference. In reality, it is not just a marketplace; it is a space of production, persistence, and in many cases, the accumulation of cultural value across time. All these segments, when their functionality is known, help one understand the dynamics of the world of art collectively, its influence on culture, and its significant economic impact (Schild, 2020). The primary market is where an artwork meets its first buyer. Usually, this happens through galleries, artist studios, or exhibitions. This is where an artist's career really takes off. For emerging artists, the existence of a gallery is not just about selling work; it establishes reputations. More than just selling, galleries offer many other services—such as curation, connecting a piece of work with an important collector who may help direct the trajectory of an artist's career, and placing the work in the larger context of the art world. Prices are generally set in this market based on such factors as an artist's experience, past sales, and the perceived potential for future growth. According to Martin (2007), the primary market nurtures the first incidences of artistic talent, within a controlled environment that allows an artist to emerge. This often implies predictable prices within this segment, whereby the gallery is using price management tools in order to protect the artist's value and long-term market position. It sells fresh ideas and trends, making it the first look at what may become a key subject in the broad cultural dialogue. Therefore, works sold in the primary market ordinarily go a long way toward forming the grounding basis for artistic movements and deeply take it as part of the socio-political context of their time. The galleries in this segment

are, therefore also not just sellers but gatekeepers that can shape the future trajectory of art and its cultural relevance.

On the other hand, the secondary market involves resales and functions very differently. This category includes auction houses, private sales, and art dealers. This concerns those who deal with work that has already been sold at least once. While the primary market has controlled prices to a large extent, the secondary market is quite fluid because it is dependent on demand, current trends, and economic situations in general. Here, the factors of an artist's growing reputation, the rarity of the work, and, in a wider sense, the overall market sentiment have a large role to play. The major players in the secondary market are, by and large, the auction houses themselves—chief among them Christie's and Sotheby's, issuing prices that echo through the interconnected web of the global art market. As Velthuis (2007) noted, very often this market is speculative, and most buyers, be they collectors or investors, are looking to make profits on the newfound fame of an artist or the rarity of some artwork. A lot of price volatility characterizes this market, in which primary art that has been acquired comparatively cheaply can, within a few years, command several millions through the processes of competitive auctioning and market hype. The secondary market will, of course, also be the pointer toward the ultimate test—an artist's lasting value. The primary market may establish an artist's initial value, but it is in the secondary market that the worth of the legacy is determined. What an artist is going to be worth historically and culturally will be defined by secondary market prices. Heinich (2014) opines that the secondary market represents a collection of cultural values, where the intrinsic value of an artwork is only recognized after it has changed a number of hands. It is to this segment that the macroeconomic climate, with all its cycles of financial crises to social arrangements where wealth is doled out, can end up exerting really deep influence and hence serves as the last gauge and mediator of confidence. The relationship between the primary and secondary

markets is dynamic. While the primary market sets the groundwork for the career of an artist, the secondary market to some extent can topple that very foundation. Primary market galleries strive for stability while increasing in value. In contrast, the secondary market is all about the ride—that is, the drama involved in high-stakes bidding and the chase of chasing trends. It is through the interplay of such markets that the art world becomes a place of interesting tension: one in which new meets old, and in which cultural and financial forces are continually wielding their might.

Geographical and cultural factors also play a part in the structure and behavior of these markets. The big cities of New York, London, Paris, and Hong Kong are crucial in influencing the global art trade. New York is undoubtedly leading in terms of sales performance, holding the largest potential for affluent connoisseurs and top-line auction houses. On the other hand, the rapid development of the Asian art markets, especially in China, Japan, and South Korea, is now changing global trends. The Asian art market is picking up, with collectors becoming increasingly influential by pumping large sums of money into Western and Asian contemporary art. This diversification has arguably led to a more multipolar art market, in which no single region can account for the majority of worldwide sales. Hong Kong's rise to power as one of the major hubs is attributed to its strategic location, favorable tax policies, and its financial center. Such developments are underpinned by the ongoing internationalization of the art market, during which regional differences lose their importance because collectors, dealers, and artists are merged into an ever more interconnected global world.

The size of the global art market is estimated to be a staggering \$63.7 billion, pointing to the economic weight that this sector carries (Robertson, 2023). The market registered a commendable 12% rise in sales for the year, based on the Art Market 2018 report, which represented the phase of rebound and growth after fluctuations. Such a rise mainly came as a

result of the United States, which had the largest share of the global market, at 42 per cent. Just behind, though, is China at 21%, nipping at the heels of the United Kingdom at 20%. These three countries together capture over 80% of all art sales worldwide—in this case, just taking three countries out of the world. But this number conceals another story of culture, economics, and history. E-commerce has been one of the most important reasons for the rapid growth of the art market. This power of e-commerce platforms in accessing pieces of art makes artists available to a worldwide audience, breaking barriers that confined buyers and sellers to their local markets. Real-time interactions, democratization of access, and potential growth are possible between the artists and collectors on digital galleries, online auction sites, and marketplaces. Online art sales surged to as much as \$5.4 billion in 2017 alone and continue to rise each year, according to concerned experts. The digital shift is entirely changing the way art is consumed and traded and brings its capacity to new opportunities for both established and emerging markets (UBS, 2024). Even with the convenience and reach of online sales, the largest segment of the industry still lies within traditional fine art. It generated more than \$14 billion, which represented a continued demand for high-value and collectible works, but the art market, however, still remains very difficult to monitor with transparency, as so many sales are often recondite. The New York Times revealed that many of the deals, which are mostly private, are not put in the records, leading to the differences in the official figures. This is especially manifest in countries like China and the U.S., where formal and informal markets coexist to complicate questions of valuation and regulation.

The global nature of the art market further engenders issues of representation and equity. The art market has been dominated by the West, both in terms of narratives and value given to art from other parts of the world. However, a rethinking has been taking place in recent debates to place that history on a more inclusive footing. Plural cultural contributions need to be recognized, such as 20th Century Indian Art: Modern, Post-Independence, and

Contemporary. It is stated in the New York Times that “truly global art history” does not consider the richness and variety of artistic traditions anywhere in the world against a Eurocentric base. It becomes very relevant, ascribed to such values, which challenge outmoded hierarchies and put again and again, often marginalized voices, right in the center of global conversations. This also means that the abrupt emergence of global art infrastructures in areas like Africa is accompanied by the transformation of ideas on the value and visibility of art. Stacey Kennedy (2021) explains how ART X Lagos and Lagos Biennial are some of the emerging platforms that are propelling Nigerian art on the global market. In these examples, the local art scene of any location or city could manifest international exchange and thus challenge the traditional centers of art commerce to furnish new hubs of cultural production. The building of these infrastructures involves changes in the diversification of the art market, thus redefining what is valuable and marketable in art. Furthermore, international exhibitions and art collectives are ever more important in regard to shaping cultural narratives. For instance, Zarobell (2022) discusses how transnational collaborations are the agents for changing the way of thinking towards contemporary exhibition-making practice. One of the important aspects of these global art collectives is community-driven work and cross-cultural dialogues, which strongly deviate from the purely market-driven models of exhibition-making. This broader conception of art enactment shows its ability to unite people and turn their focus to the common issues of the global society.

2.1.1 *Art, politics, and globalization*

The relationship between art, politics, and globalization is very complex and strong in setting global art market dynamics. In essence, the very core of art is a mirror reflecting the socio-political landscapes and global trends of the times in which it was created. The position is that since art per se is not solely a creation of an artist's creative expression, it cannot be explained without studying how political events, regulations, and globalization have

influenced its creation, movement, and valuation. Political forces play a very significant role in the international art market, hence impacting the way in which art is traded, valued, and even produced. Governmental policies, international relations, and ideological conflicts either open up or shut down a potentially growing art market within a region. For instance, trade embargoes or imposition of tariffs against any country could limit the legal flow of artworks between the two countries and hurt buyers and sellers. This affects not only the financial aspects of art but also cultural diplomacy and soft power. Nicola Foster, in her 2019 account, underlines the political dynamics which shape market behaviors, effectively setting the ground for the sort of arts to excel in the market. In places where governments are tight about the kind of cultural expression, the market becomes a place of ideology; relatedly, forms of art are endorsed while others are marginalized or banned.

Globalization has been a radical influence on the art market, breaking down geographic boundaries to the exchange of ideas, cultures, and goods at increasingly rapid rates. In the art world, globalization has produced a more interlinked and diverse market. This allows for various regional artists to gain international recognition and for collectors to access a greater range of artworks. On the other hand, globalization has also brought challenges in the homogenization of artistic expressions and cultural narratives at the cost of others. As the regional interconnectivity of art markets increases, “now global art collectives and proliferating international exhibitions are central to the global art ecosystem,” opines John Zarobell (2022). While globalization has contributed to increasing the diversity of the market, it has also grown both in competitiveness and disparities. Major art hubs like New York, London, and Hong Kong continue to monopolize the markets due to their financial power, cultural capital, and well-built infrastructure. Smaller markets or emerging markets often labor for visibility on the global stage. This dynamic creates an imbalance, where some artists and movements are overrepresented in global auctions and exhibitions at the expense of

others.

Globalization has brought to the forefront ethical concerns about cultural appropriation and the uneven power dynamics in art collecting. With the growing interest from Western collectors in non-Western art, questions have sprung up regarding the legitimacy of acquiring cultural artifacts from marginalized or colonized communities. There is a growing concern that some of the art traded across the globe was obtained in ways less than ethical, thus tainting with moral and legal guilt any future owner. Among the ways the issues are being redressed are repatriation projects—when cultural institutions return looted or contested artworks to their countries of origin—and more responsible, more fair collecting practices.

2.1.2 *Impact of cultural institutions on market value*

Cultural institutions are quintessential drivers of value in art. The purchase, exhibition, and study of works of art bring with them some kind of cultural validation and relevance, which are important in greatly increasing the artist's market value. Cultural validation and success in the market are so well implicated that they all work in an incredibly fine balance among the validity of art, the decisions of curators, and that of the market. As noted by Zarobell (2022), probably the strongest agents for cultural validation in the art world are museums and galleries. When a museum acquires a work by an artist or supports their inclusion in a major exhibition, that work is then certified as being culturally and historically valuable. Such a certification not only enhances the value of the artist themselves but also imbues greater monetary value into their work. Most notably, when the work of a relatively unknown artist starts trickling through the major museums, it is then that it often sees a striking spike in market demand and price (Valentin, 2024).

Thus, the decisions of the curator and the museum director are very influential in who gets recognized and who does not. “But this is never in a vacuum... Many of these decisions

end up being influenced by larger market tendencies, political considerations, and cultural narratives. Saranovic (2017) gives an account of how some artists and institutions have resisted the pressures of the commercial market to preserve some modicum of cultural integrity. This tension between cultural and market value runs as a leitmotif through the history of art, with institutions constantly walking the tightrope between artistic value and financial success. Foundations created to benefit individual artists or artistic movements certainly play a significant role in shaping market value. Scholarship, exhibition programming, and publication of major research, particularly catalog raisonnés, are ways that foundations actively endeavor to support an artist's legacy and thus market reputation. The market value of work created by an artist will be established and maintained over the long term—in a way that increasingly magnifies over time. For instance, the Picasso and Warhol foundations have made a difference in how they control the market for their works, through supervising sales and authenticating pieces. In their work, the foundations serve as an interface institution between culture and the market, ensuring that the value an artist has created remains consistent and is not placed at risk from any positive or negative market fluctuations.

Other than this, another locus of art valuation is the academic houses and the critical discourses. Art historians, critics, and scholars contribute to the various cultural discourses that tint the public's eyes with which artists and their work are seen or known. When an artist's work is a subject of scholarly inquiry, the public probably esteems the artist more, which better raises the value of his or her works on the market. Often, academic institutions would be having exhibitions and publications or research, with debates and discussions that greatly influence an artist's standing in the art world. These happenings often form frameworks for the artist's work within the general cultural and historical context and affect the way collectors and institutions regard the work. For example, when a museum sponsors

an artist's retrospective, it can go a long way to increase their recognition and marketplace interest. The publications for some of these shows often include a supporting catalog and related essays that provide evidence of why—statistically—it can be said that the artist has now “made it.” One measure of this endorsement is how works by an artist are endorsed academically because they are now regarded as historically significant and are often more valuable on the market.

Art critics, as well as media exposure, are also given a huge input into this factor of establishing market value. If an artist receives good reviews or is published in top publications or, if he or she appears in the media, this will assist in elevating the reputation of the artist and justified collectors or even institutions taking an interest in their work. Critics can either make or break the status of the artwork, or even the artist, by bringing the objective importance of specified work to the public's attention. Zarobell (2022) affirms this when he says the expression is created between visibility through media and critical reviews—that creates a buzz around the artist's work, hence heightening demand and prices.

2.1.3 *State Regulation and Government Policies in the Art Market*

State regulation and government policies have a profound impact on the global art market, affecting everything from art transactions to the movement of artworks across borders. Policies related to taxation, import/export controls, and cultural heritage protection shape the ways in which art is bought, sold, and preserved (Fine Art Shipping, 2019). Tax policies are among the most significant factors influencing the art market. Different countries have varying tax regimes that affect how art is bought and sold. For example, tax incentives or exemptions can make certain locations more attractive for art transactions, while high taxes or duties can deter buyers and sellers. The tax treatment of art transactions, including VAT and capital gains tax, can impact market behavior and pricing. Hong Kong and Switzerland are often cited as examples of jurisdictions with favorable tax regimes for art

transactions. Their low or zero tax rates on art sales make them attractive locations for high-value transactions and art investments. In contrast, countries with high tax rates or complex tax regulations may see reduced market activity, as buyers and sellers seek more favorable conditions elsewhere (McAndrew, 2017).

Import and export regulations also play a crucial role in the global art market. Many countries have laws governing the movement of cultural artifacts, aimed at protecting national heritage and preventing illegal trade. These regulations can affect how artworks are bought and sold internationally. For example, strict export controls in countries like Italy or Egypt can limit the ability of collectors to acquire certain artworks, while also impacting the market dynamics in those regions. Such regulations are often put in place to prevent the illegal trade of cultural heritage and to ensure that significant works remain within their country of origin. However, they can also create obstacles for international buyers and sellers, affecting the flow of art across borders. As Koltsova et al. (2021) note, state regulation of the art market reflects global trends and can significantly impact regional economic growth. Cultural heritage protection is another important aspect of state regulation. Many countries have laws designed to preserve their cultural heritage, including regulations that restrict the export of significant historical or cultural artifacts. These laws are intended to prevent the loss of important cultural works and ensure that they remain accessible to future generations. While these regulations are crucial for protecting cultural heritage, they can also create challenges for the international art market. Buyers and sellers must navigate these laws carefully to avoid legal issues and ensure compliance with national and international regulations. The balance between protecting cultural heritage and facilitating international art trade is a delicate one, and it often involves complex negotiations between governments, cultural institutions, and market participants.

2.1.4 *Market Trends and Challenges after the Pandemic Era*

The global art market is currently witnessing a sea change in the aftermath of COVID-19. It quickened changes in the way art is bought, sold, and experienced—in fact, opening up opportunities and challenges. One of the most distinct changes brought on by the pandemic has to be the increased adoption of digital platforms. With physical galleries closing down auction houses and art fairs reducing their activities for a while, it became a natural tendency for the art world would soon turn to online platforms to keep buying, selling, and exhibiting art. Online auctions, virtual exhibitions, and digital sales of art are increasingly common in this period when collectors and artists can meet in new ways (Grinstead, 2021). This has democratized access to the art market, thus allowing wide participation of a broader audience. Now, collectors from all over the world can view and bid for artwork from the comfort of their homes, while artists get new ways to reach global audiences without the need for physical galleries. However, such a shift to digital also begs questions pertaining to the sustainability of models and possible digital fatigue from buyers and art lovers. As the world slowly bounces back from the pandemic, the art market is likely to chase a hybrid model by digitizing and dematerializing its physical experiences (UNESCO, 2021). After all, despite doing an adequate job, physical interaction with art remains in great demand through gallery visits, art fairs, and so on. This hybrid model will let the art institutions and players in the art market reach their audiences via both digital and in-person channels in a much more flexible way. Such an approach may open up the art market to inclusiveness, whereby digital platforms complement rather than replace traditional forms of engagement. However, it also raises challenges in terms of the quality and authenticity of digital experiences and the assurance of safe physical events.

Economic uncertainty and market volatility are two of the major challenges that the global art market is going to have to master in the post-pandemic world. Panic from the

pandemic has influenced consumer confidence and spending, which in turn has caused fluctuations in the price and demand for artwork. Art collectors and investors are getting conservative; there is a phase of instability in the market adjusting itself to new economic conditions. Moreover, geopolitical tensions and trade disputes can enhance this volatility. Since the art market responds to the economic and political situation, then changes in global trade policies or alterations to the state of the economy, would affect the prices of art and the behavior of the market. With increasing concern for the environment and sustainability, the art market has to respond to more and more pressing challenges. Collectors and institutions are increasingly insisting on social and environmental responsibility, and demand is growing for sustainable practices throughout art production, transportation, and exhibition processes. This shift is relevant to the general concern of wider society in terms of climate change and ethical consumption. First, with regard to ecological accountability, institutions and market actors begin by focusing on the use of eco-friendly materials and methods of practice. Interest in the arts has increased to include artists and projects engaging in social and environmental issues. Therefore, addressing these concerns has been quite important to be relevant and integrity-bound within the contemporary context of the art market.

2.1.5 The Role of Art Fairs and Biennials in Shaping the Global Art Market

Art fairs and biennales are events on the international calendar of art. These take place to shape the art market and to give a common platform to the art world for various stakeholders, such as artists, galleries, collectors, curators, and critics, so that one may network, show new pieces of work, and set the market trend for the same. Fairs are also one of the biggest platforms on which art can be sold and purchased. It serves galleries and artists as a stage to show their work to the world. It has been noticed that big art fairs like Art Basel, Frieze, The Armory Show, etc. gather exclusive collectors, dealers, and media, making them an event of much importance for the commercial art market. Fairs establish stylistic

tendencies, and they have, in many cases, set values for the work and at times even anticipated the readiness of the market (Zarobell, 2022). Art fairs are widely considered the pulse of the art market, showcasing what is on-trend within the arts at any given moment. For instance, some artists or styles are represented during main fairs as a sign that their stature and influence may be growing at an exponentially fast rate. It also sets art fairs as a tremendous opportunity for smaller galleries ripping new talent to gain exposure and a foothold in the international market.

Biennials are major, international exhibitions taking place every second year and consist of contemporary art from around the globe. Famous biennials, such as the Venice Biennale, Documenta or the São Paulo Biennial, assume a leading function in impacting the discursivity of the art world and result in fads every five years. They provide artists with the conditions to develop new forms of work that generally respond to current social, political, and cultural issues (Patin, 2024). Biennials are instrumental in defining who among artists and movements finally come to the limelight in the global art market. It is an opportunity for artists to have a global audience and at the same time an opportunity for collectors and institutions to have new talent in their collection. Their power can also be felt as far as art trends are concerned because most of the time, the line-ups of such events do point to emerging trends, which are eventually borne out in the larger art market. The exposure that a biennale affords can suddenly push an artist into an international view, exponentially raising their market value and career outlook.

These events—the art fairs and the biennials—have equal potential to work as primary networking tools for a vast array of market players. Participants range from artists and galleries to collectors, curators, and critics, all of whom come to do business. Coming out of a key fair or biennale, galleries can find new businesses on their doorstep in the form of sales, partnerships, and representation deals (Kennedy, 2021). Such events allow collectors to

view several works in one place, thus enabling them to have an encounter with the galleries' representatives and get a better feel of the concept before purchase. Art fairs and biennials are significant networking opportunities if one is to build relationships and extend presence within the art market. On the same note, curators and critics use such platforms to identify new talent and get updated on current trends and happenings in the art world. The art fairs and biennials yield economically significant returns to the host cities. This is through the several hundred thousand visitors from all over the world, whose money expended on accommodation, food, and tourism is injected into the local economy. Visitors and media attention may help to relieve a city's cultural shadow, perhaps describing why there is a potential for long-run economic benefit (Koltsova et al., 2021). Most of these events, therefore, tend to pull sales in one direction and result in large money for the art market. For many galleries and artists, this platform has been a lucrative one in which to participate since most of them record robust sales and increased exposure that greatly influence their success. The economic impact of art fairs and biennials does not end there, for it is normally a continuous kind of business and collaboration established out of these events.

The future of art fairs and biennials is bound to be made by the continuous trends and challenges of the art world. With the further development of digital platforms and virtual events, which received a great impetus due to the pandemic, the way in which these events are planned and consumed might very well change (Tuszko, 2021). Even though physical fairs and biennials have their high importance and a signifying factor, more leverage might be shown towards hybrid models that blend digital and real life. Also growing in importance in the organization of art fairs and biennials are the issues of sustainability and ethics. Organizers are trying to diminish the ecological imprint of these events through green practices or supporting art practices that are made in a sustainable way. Another tendency is the increasingly growing concern for inclusiveness and diversity, with efforts made to ensure

a wide range of artists and perspectives are represented (Foster, 2019).

2.2 The French Art Market

For over a hundred years, Paris has been one of the places where innovations in art generated major movements, from Impressionism to Surrealism. The city has drawn artists, collectors, and intellectuals from all parts of the world to stand at the threshold, firmly establishing this city as a cultural center. This rich artistic heritage has been a product of France's well-developed institutional framework and is supported through state intervention. Specifically, the state shows active patronage of art by means of grants, subsidies, and favorable tax incentives in an act to stimulate cultural patronage and investment. Furthermore, there is a deeply entrenched cultural policy in France that insists art and heritage are public goods, meaning very regulated and structured markets (Heinich, 2014). Despite this deep cultural foundation, there are many challenges to the French relevance in the international art market. Over the past few decades, competition from emerging markets and other global hubs, such as New York, London, and Hong Kong, has increased tremendously. Although Paris remains right at the heart of the world art market, it is these new regions that are giving a run for its money, with more liberal administrative settings and being receptive to greater numbers of high-net-worth individuals. The less than lucid regulatory climate of France's own making, coupled with high tax rates, has exacerbated things, provided the strain that the market has to operate under cannot be considered so dynamic anymore.

Taxation forms a large part of the structure of France's art market. It not only affects domestic transactions but international ones as well. In France, VAT stands at 20% for most goods (Pflieger, 2013). A reduced rate of 5.5% is used for some items falling under cultural goods, like original works of art (Cyplom, 2022). While such a reduced rate is undoubtedly meant to foster art trade, it remains a heavy burden on many a buyer and seller when

considering these against other markets with lower or more attractive taxation policies, states McAndrew in 2016. Added to this is the imposition of capital gains taxes on the profit from the sales of the artworks themselves. In sharp contrast to most other countries that have more benign tax structures for their citizens, the French system imposes quite substantial charges on dealers and collectors, providing extremely little incentive for frequent trading and putting market liquidity in jeopardy. Collectors and dealers are, therefore, often skeptical about trading due to the potential heavy taxation that can be incurred from doing so, with a known window of relocation activity to more tax-friendly countries having an observable dynamic impact on the market landscape as a whole (Evans, 2003).

Another area that relates to taxes, is the taxation on inheritance in France, which is one of the highest in Europe. In most cases, this tax creates a problem for collectors in easily transferring high-value artworks to the next generation without incurring huge costs. This often makes families prefer selling rather than retaining such works hence causing a disturbance in the continuity of private collections and in the long run, reducing market stability. In other cases, people would rather transfer the assets or even move into other jurisdictions that have lower tax charges, hence creating a deficit in France's competitiveness globally in the art market. It is such an environment that has caused debates concerning the reforms that need to be carried out on matters of tax and would help sustain the art market, yet at the same time would continue to protect the tax base of these countries.

The policy of French cultural policy is overly interventionist because it originated from the long tradition of the state in the arts. While the developed art markets are, for instance, those in the United States and the United Kingdom, determined by the very market criteria, France argued that art has to be cherished and regulated for the purpose of protecting it as part of the national heritage, with the state being an active agent. Originating in the stringent measures for the export and sale of culturally significant artworks, for example, the

French government had the right to confer on sensationally vested works the consideration of national treasure, with that single act prohibiting the sale and export of such works in that country. While such measures are intended to protect cultural heritage, they turn out to be restrictive in market fluidity and may even make it practically impossible for galleries and dealers to operate with the same freedom as permitted by less regulated markets (Throsby, 2010).

Equally, such interventionist policies dissuade international investors who have goodwill and are used to liberal markets. For example, the strict export laws and, more generally, the high level of bureaucracy through which the French art market is approached often form a kind of barrier for foreign buyers and sellers (Serafini, 2016). The climate differs dramatically from Hong Kong's, which offers investors low taxes and little regulatory oversight in the service of fast and profitable transactions (Towse, 2011). However, the worldwide dominant position of France in the art world continues to persist because of its strength in terms of galleries, auction houses, and cultural establishments. There are major branches of the two leading houses, Christie's and Sotheby's, in Paris. The most famous museums are located there, like the Louvre and the Musée d'Orsay, which collectively attract millions of people every year, thus making the city a major cultural capital. Moreover, the French government's action and commitment to the preservation of cultural heritage are well-defined in different programs that foster and develop young and experienced talents. Grants and subsidies often help struggling artists not to give up on the dream of career realization, and a big hand goes to poor galleries supporting them in building worldwide French art. Once again, these programs not only maintain France's cultural heritage but also ensure that France continually contributes to the development of world art. Such measures create and maintain an artistic community in bloom, even at the expense of liberalizing and making the market more efficient.

France's great rise as an art powerhouse came between the 16th and 18th centuries when royal and aristocratic patronage laid the foundation for the country's cultural preeminence. Most noted in this area were the French monarchs under Francis I, Louis XIV, and Louis XVI. They helped cultivate the art market in their respective countries. Francis I, for example, invited Leonardo da Vinci to France, and his court soon became the hub of Renaissance art. Then, Louis XIV, also known as the Sun King, moved the Palace of Versailles into a symbol of absolute power and magnificence; he thus commissioned works from famous artists like Charles Le Brun and André Le Nôtre. The work of artists became vital in structuring an international living cultural art from one end of France to another—outside the limits of a court or societal framework and throughout all of society in the development of the French art market (Katel, 2018).

All this dynamic in the 18th century and the development of public art institutions really pinned down France's power on the world art market. It gave all artists a chance to present their work, thereby raising the market for art. Especially influential this way, Parisian annual salons served not only as trendsetters in art but also as places with sale and collecting activities, driving people to Paris from all corners of Europe. An urbane class of art connoisseurs and buyers also grew, who themselves became powerful forces in the formation of taste and demand. This often-evolving interaction between the artists, their patrons, and collectors further aided in making Paris one of the most prominent centers in the world art trade (Lough 2000). In many people's opinions, the French art market marked its peak during the course of the 19th century, and Paris has been its capital ever since. Paris was the city where Impressionists, Post-Impressionists, and early Modernists had their base: those who would later set the tone and agenda worldwide. Then, as now, Paris was the unchallenged fountainhead of artistic innovation, attracting the likes of Claude Monet, Paul Cézanne, and Pablo Picasso to its fold. The galleries, auction houses, and art dealers within other cities are

held in great esteem and considered muses to propagate these movements and to introduce groundbreaking works into the world market. One such landmark was the Salon des Refusés, inaugurated in 1863, which exhibited works that denied acceptance to the official salon and indicated changing tastes, along with the increased influence of substitute art spaces. It helped to secure the position of Paris as a key player in the world art scene, while its degree of influence lasted well into the 20th century (Codell, 2008).

The French art market during the 20th century withstood very rough times, mostly the years following the war when New York started to take off as a new international centre of art. The artists and intellectuals who fled the country during World War II, along with the emergence of Abstract Expressionism, landed in the United States and started to transfer the axis of the art world from Paris to New York. Yet with this innovation, France was still able to stay in the market because it had long institutional and governmental patronage over culture (Thevenin & Moeschler, 2017). The French administration has always looked forward to giving a check on the aegis of the cultural domain and has since time to time been indicated to chart out many policies and programs to maintain its stronghold on the position of the leader of the art market all over the world. These encompass, among others, artist grants, cultural institution subsidies, and tax credits for art collectors. France's cultural policy has traditionally aimed at the conservation of its national heritage while fighting for arts worldwide, thereby reducing the country to a guardian of high cultural status (Heilbrun & Gray, 2001). The French art market still holds, remaining competitive in the present global arena. Paris remains a world hub for art sales, and venerable auctioneers such as Christie's and Sotheby's regularly hold landmark sales in the city. The sales are now underpinned by brutal international art fairs, Paris + by Art Basel being of prime importance and attracting collectors, dealers, and art lovers from around the world. Moreover, the country's network of museums, galleries, and cultural institutions helps support the eclectic menagerie of more

established and emerging artists. Care for the preservation of cultural heritage and accommodation of a fast-changing art market in France shows its ability to keep a balance not only between tradition and innovation.

The digital age has ushered in new opportunities and challenges in the French art market. The entire market was forced to adjust to the sensual attitudes of collectors and the impacts of the penetrating technology as lately infectious with the rise run on Internet art sales, virtual galleries, online auctions, etc., and other Web-related issues survived. This transformation has recently become more accelerated due to faster digitization. This acceleration got a booster from the COVID-19 pandemic because, suddenly, many traditional galleries and auction houses found themselves urgently needing to be online in order to access the worldwide audience. This move to digital platforms has thus created new avenues through which the French art market can, in turn, tap collectors worldwide, thereby rendering it more democratic and appealing for a greater and younger base of clientele, keeping France effectively on the global map of art trading (Sidorova, 2022).

2.3 The Art Market in Hong Kong

Hong Kong's case of rising as a strong powerhouse in the global art market is definitely interesting in comparison to the legacy that France had left for centuries. In a few decades, Hong Kong has emerged among the leading places in the world visited by art collectors, investors, and galleries. The fact can be explained by the strategic positioning, liberal market policies, and the role Hong Kong plays as a window between the East and the West. Although historical legacy, state regulations, and institutions brought into the fiber of France were the trappings of a deeply centered art market, the rise of Hong Kong was an enterprise pushed to the highest level by a different set of factors—its free-market setup, preferential tax conditions, and integration with the global economy (Parker et al., 2023). The potential for Hong Kong to skyrocket to the most impressive levels in the global art market is

largely due to its low tax to minimally regulated jurisdiction. Unlike France and other countries that charge VAT, Capital Gains Tax, and Inheritance Tax as part of the art transaction process, Hong Kong provides a very preferential tax environment. It is even better for international collectors and investors because no such taxes are added in Hong Kong, thus allowing huge transactions to take place at lesser costs. Such an environment has fostered a base of art dealers, galleries, and auction houses that find it an appropriate ground to conduct business, creating a magnet for art trading from across the globe in Hong Kong (Lloydsbanktrade, 2024; Levitt, 2020).

One cannot deny that the strategic location in Asia makes Hong Kong more accessible and leads to a lower traveling cost to it. Geographically, the city bridges the Western art markets of Europe and North America with the rapidly growing ones in Asia, in particular, China. That allows Hong Kong to serve a diverse clientele: Western collectors who want to acquire Asian art and Asian collectors who want Western masterpieces. It has made Hong Kong a crucial gateway where much of the industry's work is presented and performed with the rest of the Asia-Pacific region (NBC, 2024). With the 2013 advent of flagship events like Art Basel Hong Kong, there had already been a solidification of the city's role in the arts. It has become one of the world's major art fairs with galleries, collectors, and artists from across the globe. Success in this event transfers the ability of Hong Kong to compete with London, New York, and Paris, which are, by tradition, the art capitals. The establishment of international auction houses such as Sotheby's and Christie's, along with many high-end galleries, has significantly advanced the frontiers of Hong Kong's status as a leader in the art market. These players impact the high sales volumes and liquidity of the art market in the city, in addition to attracting more international art transactions (Zarobell, 2017; Komarova & Velthuis, 2018).

Hong Kong's art trade, with its advanced banking and financial systems, makes up a

big fair and auction, plus duty-free storage of artworks that are easy and secure because of freeports. Banking and finance areas rank top in the world and provide the framework needed for high-volume transactions like art investment. Certainly, freeport facilities bear an even greater attraction to rich collectors: art can be stored free of tax and safe from theft. These facilities enable art to be stored, swapped, and even cross-borders transferred with minimum regulatory interference, which makes the market more effective at large (Molho, 2021). The art market in Hong Kong does not come without its host of problems, however. This can be noted in how the political environment of this city has mainly been in transition over the last few years, specifically with the implementation of the National Security Law in 2020 and Beijing increasingly exercising control over the city. These developments, in turn, have created uncertainties for the art market, particularly in terms of freedom of expression and free movement of goods and capital. Fears of censorship, government scrutiny, and potential restrictions on certain works could have a significant effect on the vibrancy of Hong Kong's art scene (Artnet News, 2020).

Opportunities and threats come from further aspects of Hong Kong's closeness to mainland China: Even though the Chinese art market is one of the most rapidly growing in the country, political tensions and rapidly changing regulations could influence Hong Kong's future stability as an art market hub (Nouvel, 2020; Sindelar, 2016). The city's focus on market efficiency, transparency, and profit-driven transactions, attracts investors and collectors seeking a secure environment for buying and selling art. The lack of any form of bureaucratic procrastination combined with ease of doing business means that Hong Kong is an irresistible option for more regulated markets. Even as political and economic dynamics change, the city remains committed to maintaining an environment that is friendly to doing business, hence it remains a critical player in the global art market. It is nothing less than spectacular, the way the city metamorphosed within a short span of time from an ordinary

regional trading post to a world leader in art. It was put in a position from which it could strive for the future of art, raked up by strategic policy decisions regarding some international developments that would be on market-driven practices. Now, facing the future with both confidence and challenges, resilience, adaptability, and openness to global trends can make Hong Kong remain truly at the center of the art world. As the global dynamics continue to experience a shift, this is most likely to render the city even more significant, finally serving as a threshold bridging the East and the West, ensuring that Hong Kong will continue to be ahead of any route of art collectors, investors, and cultural institutions.

Thus, Hong Kong is emerging into one of the major centers within the global art market, which is largely due to its strategic location and a favorable regulatory environment, among other reasons; with the growing East-West connection, Hong Kong holds a specific position. Hong Kong has no other art-historical precedence over other centuries-old art centers. Hong Kong's rise, with a combination of its freeport status, has led it to be one of the major financial centers of the world. This trend started in the second half of the 20th century and it was then that Western art houses started mushrooming and the entry of art, along with cultural products from the mainland of China, followed by the Asia-Pacific region, began to happen in large chunks. It is these factors that formed a base of Hong Kong's vibrant art market, as put across by Poposki & Leung in 2023. The territory, therefore, returned to China in 1997, opening a new era full of opportunities and challenges. Hong Kong, amidst these political changes following the handover, has been able to maintain not to mention expand its art market through its rich characteristics that place it in the position of bridging Western and Eastern cultures. A dual role, therefore, is also one of the success factors in the course of the development of such a city as an international market destination for both overseas investors and local art lovers. In this context, the three essential strategic advantages that have greatly influenced the development of the art market in this city will include; favorable taxation,

links with Western art markets, and closer ties with mainland China and the wider Asia-Pacific region. A strong firmament at the foundation of the Hong Kong art market comprises good old auction houses. Key players like Christie's and Sotheby's create headlines through auction events that see international buyers attending. Other players have also jumped into the market so as to capture a significant share and, importantly, Phillips as well as Bonhams, who deal with contemporary art and luxury goods. These auctions affirm Hong Kong's pioneering position; quite often, deals closed at the auctions run into remarkable figures (Statista, 2024).

The emergence of Hong Kong on the world scene was not only because of its performance in auctions but also by art fairs. Art Basel Hong Kong, in 2013, prominently signposted the city as one of the art centers in the world, standing on an equal footing to exhibit contemporary art from both the West and Asia. The success of Art Basel is matched by Art Central, another major fair focusing on the works of rising artists and galleries, which fosters further diversification in the art scene of this city. Add to that the fact that Hong Kong is now actually one of the biggest hubs in the world for art collectors and people who love art in general. The gallery scene is another testament to the success of Hong Kong in finally securing its place in the art market today. Global galleries like Gagosian, Hauser & Wirth, and David Zwirner are back in the city, leading the local galleries such as Hanart TZ Gallery and Pearl Lam Galleries. This mix of global and local players starts a very dynamic arts ecosystem that involves worldwide collectors and artists alike (Molho, 2021). This has additionally been cemented by institutional backing to position Hong Kong as an art market leader. When it opened its doors in 2021, the M+ Museum celebrated this milestone with the inclusion of this world-class institution specializing in visual culture in the cultural landscape in this city. M+ is the largest cultural institution in Hong Kong. It, therefore, presents a considerable space for contemporary and traditional art. It has always been one of the oldest

museums to summarize space within the city. On the other hand, it has been playing a leading role in displaying Chinese and international art. Other cultural undertakings have helped to retain and expand the city's influence in the world's fine art.

CHAPTER 3: FINDINGS

This chapter presents the findings of the research. The comparison between France and Hong Kong art markets is centered on three key areas: market structures, the influence of economic and cultural factors (particularly taxation), and emerging trends and challenges. The findings are supplemented with data gathered from literature reviews and interviews with stakeholders from both regions.

3.1 Identifying Key Differences in Market Structures

3.1.1 *Organizational Frameworks in France and Hong Kong*

In France and Hong Kong, organizational frameworks governing the respective art markets differ by structure, orientation, and the depth of support institutions for artists. It is an organizational framework, the nature of which is determined historically, culturally, and economically by the creation, distribution, and value of the artifact in the regions.

France

On one hand, the art market of France is based upon a very rich cultural heritage, and on the other, it is highly supported by an institutional framework that includes galleries, organizations dealing with art, and governmental initiatives. Traditionally, the French government has always been active in the preservation and encouragement of the arts. This involvement dates back to the creation of the Académie des Beaux-Arts in 1648 and continues into the more contemporary policies of support for cultural preservation and artistic innovation today.

While galleries do act in France as a bridge between artists and buyers, they also strive to act as spaces of artistic experiments. It is in the course of this intensive one-on-one interview via Zoom in June 2024 that French artist Léa de Cacqueray shared some insights into the kind of support system the artist gets within the French art market. She reflects on a

string of individuals who play a huge role in the creation and promotion of arts in France. “Galleries, art organizations, and government enterprises further consolidate the art market in France through which professional artists can exhibit and sell their works. It constitutes an organized structure for the support of arts (see Appendix II),” she says. Galleries and art organizations, she noted, are not simply a question of putting up art; it’s the setting up of a sustainable and structured framework within which creativity can happen. As such, she commented, the collaboration of galleries and art organizations with government initiatives puts in place a coherent system in which artists need not worry about anything other than creative input but can benefit from a market structure attempting to make wider audiences known to them and to bring them to economic stability. She says it is this structured nature of the system that assures the exposure and financial support needed for artists to focus on innovation and artistic growth.

It is equally true that initiatives on the part of the government, such as the establishment of a “Fonds National d'Art Contemporain” and the “1% artistique” program, play a very important role in integrating art into public spaces and in artistic development by granting subsidies to artists. Since this is a supportive system, emerging artists, besides already established artists, are given the ability to expose and sell their work, hence guaranteeing the stability of the market in the long run. Besides that, a host of fairs—from the bustling halls of Art Basel to the galleries of Art Paris—further anchor the French art market, which hosts huge numbers of foreign galleries, collectors, and artists, thus firmly establishing France's role as an international cultural center. The presence of renowned auction houses like Sotheby’s and Christie’s is strong in France, and they tend to focus on classical and modern art. Devorah Lauter highlighted this point when she said, “France has a long history with art, especially classical and modern art, so the market is more traditional (see Appendix IV).” This emphasis on tradition ensures that France retains its status as a significant player in

the global art scene. As Queminn (2013) highlights, these fairs contribute significantly to establishing France's role in the globalized art market. With such events stimulating activity in the market and exposing French artists to international visibility, the country's reputation is forever stamped as one of importance within the global art world.

Hong Kong

Whereas Hong Kong's art market focuses on mainly commercial interests, more emphasis is placed on high-value transactions. This is evidenced by the dominance of houses such as Christie's and Sotheby's, which have cemented Hong Kong's status as a center for premier art auctions in Asia. Beili, of Galerie Mennour, simply puts it that way: "Hong Kong's art market is very commercial. When compared to some places that are supportive of their artists, Hong Kong is very transactional and focused on big-ticket sales. Auction houses and private collectors drive the market (See Appendix III)." Its tax-free status, along with its geographical location, made it a bridge between the lines, thus enabling it to open its doors to international art dealers, investors, and collectors. The other characteristic of the Hong Kong art market is the limited government support and relative lack of extensive public funding or cultural policy for the arts. This institutional support comes in the form of organizations like the Hong Kong Arts Development Council and the West Kowloon Cultural District. However, in comparison with expansive support structures in France, it makes for rather modest efforts. The HKADC's core business is grants, but the scope of funding and the reach of its programs are modest if set against the commercial scale of the city's art transactions" (HKADC, 2021).

In Hong Kong, auction houses act as the main pillars of the art market. Other events, like Art Basel Hong Kong, are among the strongest drivers of international attention. Art Basel Hong Kong has become a critical event in the global calendar of art, as it gives a platform for Asian artists to be noticed by Western collectors. In that respect, it is also a

platform for high-value contemporary art sales. These auction-driven dynamics put a premium on financial gain at the expense of artistic growth and continue to massage this market toward established artists with commercially viable works. On the whole, private galleries and collectors dominate, very often indulging in highly speculative practices that pump up prices for blue-chip artworks. Unlike in France, where galleries most often tend to nourish emerging talent and artistic communities, Hong Kong's market has a commercial nature that leaves less room to nourish local artists who do not have strongly rooted reputations or large financial means from backers. The lack of a holistic support system for the creative sector is another prominent distinguishing factor between the two markets. Hong Kong has also built a more contemporary and fast-growing art market, largely driven by international galleries and collectors. The city has become an art hub in Asia, benefiting from its strategic geographical location and business-friendly environment. Major events like Art Basel Hong Kong have brought global attention to its art scene. Lauter explained, “The city has become a major hub for art in Asia, especially with big art fairs like Art Basel Hong Kong bringing galleries and collectors from all over the world (see Appendix IV).” This shows how Hong Kong's relatively young but thriving art market is gaining momentum.

3.1.2 *Historical Development and Current Structures*

The historical development of the French art market is one of its defining features. France has played a pivotal role in the development of global art movements such as Surrealism, Cubism, and Impressionism. Its art institutions have long held prestige, and the market continues to be shaped by these influential movements. Lauter commented, “There’s still a lot of respect and value placed on historical art movements, like Impressionism, Cubism, and Surrealism (see Appendix IV).” This deep-rooted appreciation for traditional art forms maintains France's reputation as a cultural stronghold.

Hong Kong’s art market is relatively new, having only gained significant momentum

in recent decades. Its rise is linked to the rapid economic development of the region and its position as a bridge between Eastern and Western cultures. Events such as Art Basel Hong Kong and Art Central have been key in shaping its current structure, with a focus on contemporary and cutting-edge art. According to Lauter, “Hong Kong is very contemporary and forward-looking (see Appendix IV).” This forward-thinking nature, paired with its embrace of modern and international styles, sets Hong Kong apart from more traditional markets like France.

The interview with French artist Léa de Cacqueray and Hong Kong-based curator Beili, offered divergent views on art markets in France and Hong Kong, touching on the difference in development and status. As Léa has said, an art market that is founded on the basis of centuries of culture, and strongly institutionally well-connected today is facing some new challenges. “There is less interest in buying art compared to before, and the tastes are very realistic, which affects people's choices of what they want to buy (see Appendix II),” she observed. That observation speaks to the strength of a market still in the clutch of traditional tastes and forms. That deep appreciation for specific artistic forms, like realism, and the legacy for cultural preservation have remained potent influences on market dynamics. However, Léa also pointed out that such developed tastes narrow the opportunities for new artists and reduce demand in general due to their less likely huge sales in a market already full of conventional styles.

Beili explained the process of evolution of Hong Kong's art market, indicating that its development has been rapid and closely connected to the status of the city as a global financial hub: “The art market in Hong Kong benefits from low taxation, which makes it an attractive place for art transactions. It, however, tends to prioritize commercial aspects over artistic development (see Appendix III).”. The statement from Beili underlines the fact that Hong Kong's art market, unlike France's, has not been founded on a long tradition of artistic

heritage, but by the city's economic policies and commercial environment. Low tax policies have made Hong Kong an ultra-competitive marketplace for art transactions, drawing in buyers and investors. Yet, this very commercial interest has created a market in which financial gains seem to be more important than cultural and artistic development. Hence, artistic development may not be as deep compared to more historically rooted art markets, such as that of France. That enormous difference between these two markets underlines the great diversity of influences that can shape the art world, be it cultural legacies and traditional tastes in France or rapid commercialization and financial incentives in Hong Kong.

3.2 Analyzing Economic, Cultural, and Tax-Related Factors

3.2.1 *Economic Conditions of France and Hong Kong*

The strong definers of the art markets in France and Hong Kong range from pricing structures to livelihoods, which are very determined by the respective economic conditions. As is the case in most industries, art is intricately related to the general economic environment (Borowski, 2021) and, hence, sensitive to changes in income distribution, consumer spending, and government policy. However, these economic factors have visible manifestations in both areas that create distinct challenges and opportunities.

France

The economic situation in France is highly complex in terms of both the problems and the opportunities this provides to both existing and up-and-coming artists. While cultural policies and institutional support in France establish a floor through which an artist will not be allowed to fall, due to grants, commissions, and other means of institutional financial support, on the other hand, these resources are available in small quantities and have come under severe pressure of late, making things precarious for many creatives. The high cost of living in metropolitan areas like Paris, associated with a lack of fair valuation in the art market, raises a very high entry barrier for young artists. For Léa de Cacqueray, it is an

economically demanding career in art: “Economic pressures are tough on artists. We have to do many jobs in order to live and make our work (see Appendix II).” This reality reflects that general trend within the large French art market: financial constraint pushes artists to take part-time or freelance jobs unrelated to their practice. That 60% of French visual artists earn no more than the minimum wage from their art, according to the ADAGP, is an indication of how the vast majority of participants in the sector are economically vulnerable (ADAGP, 2021).

Opportunities for new talent to break into the market are slim. Indeed, a large proportion of transactions in the French art market occur within the secondary market, which is always led by already well-known artists. This exacerbates income inequality among artists, whereby new and rising talents hardly have the possibility of staying in the limelight and earning much money. The second is an economic divide represented by high levels of wealth concentration among the top collectors and institutions, making it hard for opportunities for less-established artists to thrive. The challenges are compounded by rising inflation and global economic instability that have led to fluctuations in art sales and investment levels across Europe.

Hong Kong

On the other hand, the art market of Hong Kong is influenced by a great degree of commercialism, with more emphasis on economic gains and transaction efficiency rather than on artistic development. With the status as an international finance center and a low-tax regime, coupled with high-value art transactions, a perfect match is found with Hong Kong. Because Hong Kong does not put any kind of sales tax or capital gains tax on the purchase of art, it encourages wealthy collectors and investors to buy and sell their art in Hong Kong. It is in this context that such a market grew at a high speed, especially in the modern and Asian art segment. However, as Beili states, “Economic conditions in Hong Kong create a highly

commercial environment. While low taxation benefits transactions, it doesn't provide the same level of support for individual artists or artistic communities as you might find elsewhere (see Appendix III).” Beili's statement makes explicit one of the major concerns in the art market landscape of Hong Kong: putting commerce at the forefront over cultural enrichment. This, along with the low-tax environment, helps attract collectors, investors, and galleries in search of a good deal to make Hong Kong a global hub for art sales. Yet, this emphasis on commercial sales leaves a gap in missing structural support, like grants and artist residencies, that are so important to growing and sustaining local artists. Compared to France, which does a lot to ensure that artists have an outlet for their work and are encouraged to continue producing work by government initiatives and cultural organizations, the system in Hong Kong is transaction-driven. Perhaps this would create an environment in which art is handled more as a commodity than as a cultural expression; perhaps it limits the possibility for new artists to be discovered should the appeal of their work be uncommercial in this ultra-competitive space. However, while the economic model in Hong Kong propels sales and international trade at neck-breaking speeds, it fails to provide an environment for a vibrant and diverse artistic community, thus marking the extreme antithesis of how other regions manage their commercial success against the cultural support that they provide. This equates to private capital, propelling the market forward with scant chance that investiture will reach ownership in efforts benefitting regional voices or cultural pluralism with scant public subsidy or state backing for the arts (Yim, 2018). The occupational trajectory in the art market of Hong Kong, which, by definition, is one of a particularly speculative sort, has thus far been such wherein riches and privilege have been accrued to so few collectors and dealers, typically those attached to international banking networks. Thus, this high-end transactional focus works against emergent artists who do not have the commercial appeal required to secure investment. The spiraling cost of living in the city and rapidly rising

property prices further make it very difficult for artists to acquire studio space or seek out gallery representation. The strong presence of auction houses, notably Christie's and Sotheby's, has furthered an environment in which art is being treated increasingly as a financial instrument in opposition to a cultural expression; prices go up based on market trends rather than artistic merit.

3.2.2 Tax Policies and Their Impact on Art Markets in France and Hong Kong

France

France's art market has historically benefitted from favorable tax policies, such as reduced VAT rates of 5.5% for artworks under certain conditions. However, recent developments, including an upcoming EU directive to impose a 20% VAT on artwork sales by 2025, threaten these incentives. This change could negatively impact France's standing in the global art market by reducing its attractiveness to buyers and investors (Lauter, 2023). For example, under French income tax law, the cost of buying art can be deducted from taxable income if the company promises to make the piece available to the public for at least five years. This kind of incentive encourages the public visibility of art and also supports the broader market by making art acquisition more financially attractive. Léa de Cacqueray underlines the role of these taxation incentives: “The government aids art sales by charging reduced taxes. This encourages people to invest in and buy art (see Appendix II).” While these policies did stir the market, they were structured to first of all benefit rich collectors and already well-established institutions. High capital gains exemption and, more importantly, very benevolent provisions for inheritance tax facilitate the easier accumulation of valuable art collections by the affluent and their transfer to subsequent generations. However, this focus on high-net-worth participants has generated criticism regarding the exclusivity toward less well-heeled buyers and smaller galleries. However, such a system is disproportionate to those holding big money, making it hard for upcoming artists and those with smaller market

shares to have their products noticed and financed. Another thing, the French government charges VAT, Value Added Tax, on sale of all kinds of art, normally 5.5 % of the total; this percentage is below the standard VAT charged on most goods and services sold within the country (WTS Global, 2015). While this reduced rate benefits consumers and thus encourages transactions, it also stresses the focus on established galleries and auction houses already dominating the market. In a tax structure that inadvertently prefers bigger entities, it is often the smaller, independent artists, as well as emerging galleries, that fall behind due to their possible inability to bear the administrative load of VAT compliance.

Hong Kong

On the other hand, Hong Kong's taxation environment is characterized by low interference by regulatory bodies, coupled with low-tax incentives for buyers and sellers. This has made the Hong Kong art market very conducive. The absence of sales tax and capital gains tax which is derived from the transaction of art pieces has favored international investors and collectors hence the growth of Hong Kong as an art hub in Asia. This tax regime has thus created a transactional marketplace in which art gets commodified, resulting in a high volume and high value. Beili from Galerie Mennour elaborated, “The lack of sales tax in Hong Kong makes transactions more frequent and of a larger scale (see Appendix III).”. This system brings in investors but doesn't provide any support for the development of an artist community.” While such financial benefits have propelled Hong Kong to the top of the international art market, this has also contributed to a lopsided market where monetary interests appear to dominate cultural and artistic purposes. What this has created is an atmosphere dominated by high-profile auctions and private sales, most often dealing in commercially established artists and very rarely in emerging or experimental artists.

It is also the benign tax conditions that woo international galleries and auction houses—Sotheby's and Christie's, notably—to establish a base in Hong Kong, further

entrenching its role as an international art trading hub. “Sotheby’s and Christie’s have had great success in Hong Kong due to this tax benefit (see Appendix IV),” Lauter stated. More to the point, this has translated into more significant support neither for local artists nor cultural institutions. In itself, Hong Kong’s market is economically driven and hence places priority on transactions against cultural enrichment, without further tax incentives or grants aimed at such a purpose.

3.3 New Trends and Issues

3.3.1 *Growth in the Market, Consumer Taste, and Changing Dynamics*

The new trends in both France and Hong Kong art markets underline tectonic shifts driven by changing consumer tastes and market dynamics. The case of France is indicative of a growing taste for more traditional styles, particularly realistic painting, which dictates what the collectors buy. According to one French artist, Léa, “Realistic painting sells well, so people prefer to buy it (see Appendix II).” In reality, this change in tastes represents the increasingly conservative trend that the French market is heading toward. There is less and less opportunity for contemporary, much less avant-garde, pieces to receive the recognition they did in the past. Deductions regarding this is that experimental and innovative art will have very little chance of finding a niche, as the buyer moves towards the familiar and more readily understandable. In contrast, the Hong Kong art market is very demanding for high-value contemporary art; it is almost solely driven by auction houses and increasing interest from young collectors. Beili of Galerie Mennour said, “Collectors in Hong Kong open up to contemporary art, and young collectors appreciate experimental works (see Appendix III),” but commented that the focus has been on successful commercial pieces—generally those with high values and already established reputations. It’s hard for artists without substantial financial backing or the visibility given by major galleries to break into this environment. The result, therefore, is that attention becomes focused on the high-end and highly profitable

transactions involving contemporary art, leaving little room for new or smaller talents to make a big splash. Hong Kong's art market has experienced rapid growth, with a shift in consumer tastes toward contemporary and digital art forms, including NFTs. The younger generation of collectors in Hong Kong is more inclined to explore modern art trends, diverging from the traditional Chinese ink paintings and porcelain that once dominated the market. Lauter observed, "Younger collectors in Hong Kong are becoming more interested in contemporary and digital art, including NFTs. This is a big shift from the older days when traditional Chinese art dominated the market (see Appendix IV)." This evolving consumer taste highlights the dynamic nature of Hong Kong's art market. In France, market growth is more stable, with many collectors still focusing on traditional and classical art forms. However, there is a gradual shift, especially among younger collectors, towards contemporary art. Despite this change, France has been slower to embrace digital trends like NFTs, and the market remains relatively conservative. Lauter noted, "In France, the younger generation is starting to show more interest in contemporary art, but overall, the market is still quite conservative (see Appendix IV)." While France continues to appreciate classical art, it is slowly adapting to the changing dynamics in the global art market.

3.3.2 *Problems Relating to Regulation and Subsidy of the Art Market*

In France and Hong Kong, the two countries evolved quite different problems relating to the regulation and subsidy of the art market. In France, the legislation set up to regulate the export and import of cultural goods tends to protect national heritage but is sometimes an obstacle to market enlargement and international artistic exchanges. Léa added, "Art supporting tax policies preserve our cultural heritage. Our culture can thrive and be maintained only when art is valued and supported (see Appendix II)." These indeed help safeguard the rich cultural history of France, but at the same time, they introduce bureaucracy into cross-border transactions, making them complex and thus limiting global interaction. In

sharp contrast, Hong Kong has a number of problems that revolve around the failure of an indispensable framework of clear regulations and comprehensive support systems for local artists. Beili comments on this, “A lack of clear legislation and a simple, clearly defined procedure for obtaining an export permit may result in uncertainty and delays, and consequently impede the legal movement of works of art (see Appendix III).” This is a vague legislation that upsets the smooth flow of art within and outside Hong Kong. It also gives way to an environment where commercial interests are more favored over artistic development. In the absence of strong institutional support or a clear framework to navigate the art market, the possibility of an emerging artist gaining recognition in Hong Kong, and further skewing the market's focus on high-value and transactional opportunities, is increasingly difficult. Structured absence of support therefore deters the possible richness and diversity that could happen within Hong Kong's vibrant art scene.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The comparative analysis of the art markets in France and Hong Kong underlines how diverse economic conditions, taxation policies, and organizational frameworks impact market dynamics, support for artists, and cultural preservation. Both regions have developed thriving art markets, though how they do so with regard to creating an even balance between commercial growth and supporting local artists/cultural heritage varies sharply. The art market in France, for instance, has a well-organized structure. It receives necessary support from the galleries, government initiatives, and organizations dealing with art. Its tax policy, with reduced capital gains tax and favorable VAT rates, has been outlined to not only drive the art market but also to preserve cultural heritage. On the other hand, the majority of those benefits target rich collectors and institutional players, making it very hard for new artists to break through small galleries. Most artists have financial burdens that require them to find several jobs, leaving them with little time to pursue their art. The French market, however, is more culturally inclined and hence finances and institutionally support the arts. The case of Hong Kong, on the other hand, offers a more commercially oriented environment. Without a sales tax or capital gains tax, it attracts global investors and has established itself as one of the major centers for high-value art transactions. It is mainly dominated by auction houses and private collectors, and less by local artists and cultural institutions. While frequent and large transactions are encouraged by the tax structure, it has created an art market in which art is more likely to be treated as a commodity than as a cultural product. The lack of any taxation policies oriented toward the promotion of artistic communities or the preservation of cultural heritage has reduced opportunities for local artists and brought into question the sustainability of that market growth.

The findings indicate that France and Hong Kong alike have strong and weak points

in the art markets. France has a stable and culturally rich art market; however, access and inclusivity elude the less well-heeled participants. Hong Kong's art market thrives on its financial incentives, where it risks overdriving into transactionalism at the expense of artistic diversity and cultural preservation. If France really wants to see a more balanced and viable art market, it should, conversely, extend its incentive tax for new artists and smaller galleries. Hong Kong, however, is probably already wise in just creating policies that would develop its art and culture. These would fill in some of the giant lacuna that exists in both regions and would give the impetus needed to help their respective art markets grow and appreciate in ways that stimulate economic growth, on the one hand, and foster an environment in which creativity and cultural heritage can grow on the other.

Finally, France will also do well in extending its incentive tax for emerging artists and smaller galleries, making its art market balanced and more sustainable. Probably wise for Hong Kong is to create policies encouraging the growth of art and culture. These would fill in part the huge lacuna in both regions and provide the impetus needed to help their respective art markets grow and appreciate in ways that stimulate economic growth, fostering an enabling environment in which creativity and cultural heritage can grow on the other.

4.2 Recommendations

The recommendations which could be made from the results obtained above are discussed below.

The French government has to conduct some reforms in the taxation sphere as far as the art market is concerned. The system in place is very complex and it often operates as a barrier to both local and international art trades. Therefore, simplification of the taxes, most importantly through reduction of Value Added Tax rates and easing of the capital gains tax, can make the French art market more appealing to global investments and collectors. There are also suggestions for more “tax incentives for gifts of works of art and other forms of

cultural philanthropy” to cultivate private investment in the arts and act as a driving force in keeping vital the cultural heritage.

Another significant reason for Hong Kong's fast development in the art market worldwide is the “low-tax regime” that is offered by the territory. Looking at long-term stability and the continuation of this growth, perhaps the most important factors the government should work on are the regulatory challenges. This could be in relation to refining policies related to classifying art as a capital asset or inventory, which, at present, times confuse the collectors and businesses alike. There is a need for clear regulations in order to be sure of continuous investor confidence and market sustainability.

Cross-cultural exchanges can be further encouraged in the art market between France and Hong Kong. This would be through partnerships between the local galleries, museums, and artists that will allow artistic practices to be shared among these countries and hence give emerging artists a greater audience. The programs could thus be encouraged through grants, residencies, and jointly organized exhibitions by cultural institutions and governments. It can also enrich both markets through its diverse perspectives and collector interests that it brings.

The increasing number of digital platforms and online auctions are reshaping the global art market. Like any other market players, France and Hong Kong have to invest in digital infrastructure to open virtual galleries and promote online sales but also to develop new forms of digital art, such as NFTs. Both governments and the market will be looking forward to seeing how this integration will be completed without eroding the preservation of traditional art practices and cultural heritage. It is through such innovations that one can guarantee competitiveness in both markets and yield interest in young, tech-savvy collectors.

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APPENDICES

APPENDIX I

INTERVIEW GUIDE

Market Structures and Historical Development

What are the organizational frameworks of these art markets in France and Hong Kong?

Who are the major players in France and Hong Kong: galleries, auction houses, and any other market institutions?

What is the historical development that has shaped the structure of the art markets in both regions?

Art Market in France/Hong Kong

What is the picture of the art market currently in France/Hong Kong

like? What are the key drivers and trends in the art market of

France/Hong Kong?

How does the French/Hong Kong art market compare to other global art markets?

Effect of Economic, Cultural, and Tax-Related Factors

What is the impact of economic conditions on the art markets of France and Hong

Kong? What role do cultural contexts play in framing the art market in each region?

What impact do tax policies have on the creation, trading, and investing in art in France and Hong Kong?

Tax Policies Impact

What can you tell on the impact brought about by capital gains tax on the investment of art in France / Hong Kong?

Can you comment on the effects wrought by inheritance tax related to the market of arts in France / Hong Kong?

How can you comment on the effect of VAT on the art market in France and the dissociation VAT tax policy in Hong Kong?

Market Behavior and Investment Trends

How does current tax policy affect buying and selling behavior within the art market?

What major divergences do you think exist in collector and investor strategies between France and Hong Kong?

How important are tax considerations as a factor in the decision matrix to buy/sell a high-value piece of work?

Cultural and Economic Impact

In what ways do you think France's tax policy helps in cultural preservation?

Why is Hong Kong considered a global hub for art trading, according to the nature of its tax environment?

What are the wider economic implications on the art markets in both territories as a result of tax policies?

Emerging Trends and Challenges

What is the trend evident in the art markets of France and Hong Kong?

What is the new movement in consumer preferences, and what does it mean for the art markets?

Which are the problems found in these art markets, and which are the effects of tax policy, import and export restrictions, and cultural factors on the stability and development of markets?

Overall Prospect and Policy Recommendations

Which changes in tax policy do you feel should be made in order to stimulate the development of the art market in France/Hong Kong?

Which developments do you foresee for the modification and changes in tax policy affecting the art market in the next ten years?

Anything more you would like to add about the potential impact of tax systems on the art market?

APPENDIX II

Léa de Cacqueray: Navigating the Realities and Dynamics of the French Art World

I interviewed a French artist, Léa de Cacqueray, to talk about the problems a young artist has to confront today coming from France and to comment on how the trend in the development of the current art market looks. That is a conversation worth having because it offered a certain amount of insight into the financial, social, and technological parameters for driving the current art scene.

Q: Can you describe the mechanisms for the organization of the art market in France?

“Galleries, art organizations, and government enterprises further consolidate the art market in France through which professional artists can exhibit and sell their works. It constitutes an organized structure for the support of arts.”

Q: Can you tell me about the art market that exists currently in France?

“It is very difficult for the beginning artists to succeed during the present time. The interest in buying art such as paintings has also shrunk in comparison to the past, and realistic painting is very prevalent these days, which wholly affects people's choices in their buying options.”

Q: How do the economic conditions squarely hit on the art markets in France?

“Economic pressures make it very struggling for artists. We have multiples of other jobs, and it becomes difficult for us to concentrate solely on accruing art.”

Q: How do you think capital gains tax impacts art investments in France?

“The government, by taking a relatively lower tax, actually promotes the art business by encouraging investors and buyers to invest in and buy arts.”

Q: How does the infrastructural tax system influence the buying and selling patterns of the art market?

“Art is bought and sold more when there is a low tax system because the incentive remains solid to help support the arts.”

Q: How do you feel tax policies support the preservation of cultural heritage in France?

” I have to think that by showing tax policies in support of art, one would be preserving cultural heritage. When art is valued and supported through taxes, our culture can thrive and be maintained.”

Q: What are the changes you would suggest in tax policy with respect to promoting the art market in France?

“I just believe that the government should always lower the taxes for any activity regarding art; this will increase the art market and keep artists afloat.”

APPENDIX III

Summary of Interview with Beili from Galerie Mennour

Q: Kindly let me know a little bit about yourself and your position in the art market in Hong Kong?

“I am Beili from Galerie Mennour. I mostly handle tasks related to logistics: operations of artwork transactions, and taxation, among others. My job involves studying the financial and regulatory world associated with art markets around the world, including Hong Kong.”

Q. Can you describe what the organizational frameworks of the art market look like in Hong Kong?

“The Hong Kong art market is a very commercial one. Unlike some places with a great deal of community support to artists, Hong Kong is more driven by transactions and high value sales. The market really is driven by the auction houses and private collectors.”

Q: Could you provide a brief description of the status of the art market now in Hong Kong?

“Hong Kong has a low-tax economy supporting the art market, a condition that is effective in attracting transactions of artworks. However, the transaction tends to work more commercially rather than in the development of art practice. High-value transactions are focused on instead of supporting art communities.”

Q: How does the art market in Hong Kong reflect economic conditions?

“The economic conditions of Hong Kong lay a highly commercial environment. Although low taxation proves benefits of the transactions, they do not provide much encouragement as other countries to singular artists or artistic communities. When it comes to this point, the commercial perspective can sometimes reduce job opportunities for artists.”

“Hong Kong is without a sales tax, and the boon is felt by everyone who deals in art. Taxation is focused on company benefit. This translates into a free enough environment to encourage more buying and selling of art. However, it doesn't support the creation and development of the arts.”

Q: How do current tax policies influence buying and selling behavior in the art market?

“The lack of sales tax in Hong Kong means that transactions, even more significant and occurring more frequently, still happen there. This fluctuates and draws investment, but it does not conduce to establishing a supportive ecology for artists to rise from that.”

Q: How might the lack of these artist-friendly tax policies in some ways contribute to the loss of cultural heritage in Hong Kong?

“While low taxes obviously promote transactions, a closely related consequence is that the preservation of cultural patrimony is not facilitated by either government tax policy or social imperatives. Other things equal, without a good support system, a broad range of rich, diverse, and abundant artistic culture may be lost.”

APPENDIX IV

Summary of interview with Devorah Lauter, a Paris-based freelance journalist and art expert.

Q: Can you tell me about the current art market in Hong Kong and how it compares to the art market in France?

“In Hong Kong, the art market has been growing very quickly. The city has become a major hub for art in Asia, especially with big art fairs like Art Basel Hong Kong bringing galleries and collectors from all over the world. One big reason for this growth is the tax policies—there’s no sales tax on art purchases, which makes it a great place for buying and selling art. France, on the other hand, has a much older and more traditional art market. Taxes are higher in France, especially with VAT, which can go up to 20% on art transactions. However, France has a long history with art, especially with classical and modern art. So, while Hong Kong is very contemporary and forward-looking, France is more focused on its rich art history.”

Q: How have Hong Kong’s tax policies helped its art market grow?

“Hong Kong’s tax system has been a huge advantage for its art market. Because there’s no sales tax on art, galleries, auction houses, and collectors find it more appealing to do business here. For example, Sotheby’s and Christie’s have had great success in Hong Kong due to this tax benefit. In Europe, including France, taxes can be much higher, making it less attractive for international buyers. Hong Kong is also in a good spot geographically. It’s close to mainland China and other parts of Asia, so wealthy collectors from those regions often come to Hong Kong to buy art, especially contemporary works.”

Q: What kind of art is most popular in both Hong Kong and France?

“In Hong Kong, people are really into contemporary art. There’s a big interest in Asian and Chinese artists, especially those who do Chinese ink paintings. There’s also a growing interest in Western contemporary art, especially during big exhibitions. In France, things are a bit different. Many collectors there are still drawn to classical art, especially movements like Impressionism and Modernism. For instance, works by artists like Monet and Picasso are still very popular. In general, French collectors appreciate older art styles, whereas in Hong Kong, people are more excited by newer, cutting-edge pieces.”

Q: How does the culture in Hong Kong shape its art market compared to France?

“Culture plays a big role in both places. In Hong Kong, the art often reflects political and social issues. Many artists explore themes like identity and migration, and their work blends both Eastern and Western influences. For example, after the Cultural Revolution, Chinese artists began to incorporate more modern and international styles into their work. This kind of fusion is what makes the Hong Kong art scene so unique. In France, culture is deeply tied to the country’s long history with art. French artists have been leaders in movements like Surrealism, Cubism, and Impressionism. So, when you look at the French art market, there’s still a lot of respect and value placed on those historical art movements.”

Q: What new trends are you seeing in the art markets of Hong Kong and France?

“In Hong Kong, I’ve noticed that younger collectors are becoming more interested in contemporary and digital art, including NFTs. This is a big shift from the older days when traditional Chinese art, like ink paintings and porcelain, dominated the market. The pandemic also pushed more art sales online, so virtual exhibitions are becoming more common now. In France, the younger generation is starting to show more interest in contemporary art as well, but overall, the market is still quite conservative. Many collectors still prefer traditional art forms. France hasn’t fully embraced digital trends like NFTs yet, but with its strong support for the arts through government programs, it remains an important market for both classical and modern art.”

Q: How have art fairs changed in Hong Kong and France?

“Art Basel Hong Kong has truly transformed the art scene in the city. It’s one of the biggest art fairs globally and draws a lot of international attention. Through this fair, local collectors are introduced to more Western and global artists, while international collectors get to experience a rich selection of Asian contemporary art. Other significant fairs like Art Central in Hong Kong also focus on showcasing up-and-coming artists from across Asia. In France, Paris+ par Art Basel has taken its place and remains a significant event in the Parisian art calendar. There’s also Paris Photo, which focuses on photographic art. These fairs maintain France’s reputation as a major player in the art world by attracting established artists, collectors, and galleries. However, compared to Hong Kong, French fairs tend to lean more towards traditional and established art forms, though contemporary art is also gaining ground.”

Q: What do you think the future holds for the art markets in Hong Kong and France?

“The future for Hong Kong’s art market looks very promising. Even though there are some political uncertainties, the fact that there are no taxes on art purchases means that it will continue to attract international galleries and collectors. More and more Asian artists, especially from China, are also becoming popular, which will keep the market growing. In France, the market will likely remain strong and stable. It won’t grow as fast as Hong Kong’s, but France’s long history with art and its cultural institutions will ensure it stays a major player. France also has a lot of art education and government support for the arts, which keeps its cultural value alive. So, while France may move slower in adopting new trends like digital art, it will always have a significant place in the global art world.